



U.S.-KOREA TRADE AGREEMENT

Delaware Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Delaware agricultural products, including poultry, feed grains, and soybeans. Delaware's agricultural exports to all countries, estimated at \$236 million in 2009, supported about 2,000 jobs, on and off the farm. These export sales make an important contribution to the Delaware farm economy, which had total cash receipts of \$1 billion in 2009.

Poultry and Egg Products. The broiler industry accounts for 72 percent of Delaware's total farm cash receipts with sales of \$730 million in 2009. Poultry and products are the state's largest export with overseas sales estimated at \$117 million in 2009. Among the KORUS agreement's benefits to Delaware's poultry and egg producers and processors:

Korea's tariffs of 18 to 27 percent on frozen leg quarters, frozen breasts and wings, and frozen turkey cuts, will be phased out in 7-12 years.

As the number 2 market for U.S. egg products, Korea's tariffs of 27 percent on egg products, including egg yolks, will be phased out in 12 equal annual reductions.

Feed Grains. Corn is Delaware's second largest source of cash receipts with sales of \$69 million in 2009. Under the KORUS AGREEMENT:

U.S. exports of corn for feed will be duty-free immediately. Korea is currently the third largest market for U.S. corn for feed.

The FTA includes a new 93,774-metric ton duty-free tariff-rate quota (TRQ) for corn for processing that grows quickly to 393,849 metric tons by year 7, after which quantities will be unrestricted.

Soybeans and Products. Farm cash receipts in 2009 for Delaware soybeans were \$64 million. Delaware soybean exports were \$40.5 billion in 2009, or 63 percent of farm cash receipts. Under the KORUS agreement:

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-metric ton market for food-quality soybeans. Korea has agreed to immediately eliminate its 5-percent applied tariff on food-use soybeans. In addition, Korea will establish a duty-free TRQ starting at 10,000 metric tons for identity-preserved soybeans for food use. This quota will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors.
- Soybeans imports for crushing will enter duty-free upon implementation of the agreement, removing the 1-percent applied tariff.

- Korean tariffs on imports of crude soybean oil, the majority of Korea's soybean oil imports, will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

Dairy Products. Delaware's dairy industry had cash receipts that totaled \$14 million in 2009. Under the KORUS agreement:

- Duty-free TRQs will be established for cheese, skim/whole milk powder, food whey, and butter.
- U.S. feed whey exports, which totaled \$8 million in 2009, will gain duty-free access to the Korean market immediately upon implementation.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	Delaware to World
Poultry and Egg Products	\$4,850,000,000	\$117,000,000
Feed Grains	\$11,979,000,000	\$22,000,000
Soybeans and Products	\$17,709,000,000	\$41,000,000
Dairy Products	\$2,335,000,000	\$1,000,000
Agricultural Total	\$96,632,000,000	\$236,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.